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Maytree Policy in Focus

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New income support needed for low-income Canadians

Poorly Coordinated Programs Make it Difficult for Low Income Workers to Improve their Financial Situation

- Working age Canadians have access to few supports when they become unemployed or fall below the poverty line.
- To qualify for social assistance—often called welfare—an individual or family must have almost no income and very little savings.
- Government rules sometimes work at cross-purposes, and make it difficult for recipients of social assistance to improve their situation through paid work.
- Rather than support the transition to adulthood, policies push young adults into paid employment at 18 if they are not full-time students. Some post-secondary scholarships and loans may reduce the benefits that go to the family.
- Programs need to work together to ensure that they provide real incentives for individuals attempting to become self-reliant through paid employment or through work-study programs.
- The federal and provincial/territorial governments should develop a new approach to income security which ensures that the Working Income Tax Benefit and other income-tested programs are part of a coordinated and comprehensive system of supports for unemployed and low-wage workers.
- The threat of recession in the U.S. and its possible impact on Canada makes fixing adult benefits a priority for all levels of government. This *Maytree Policy in Focus* presents ideas to spark debate and encourage action on income support for adults.

Featured Research

SUMMARY

Why is it so tough to get ahead?

How our tangled social programs pathologize the transition to self-reliance

by John
Stapleton

(November 2007)

Prepared for the
Metcalf Foundation,
metcalffoundation.com

This report presents a vision for income security benefits modeled on benefits which exist for children and seniors. In order to achieve this vision, Stapleton suggests the Government of Ontario:

- allow the Working Income Tax Benefit and the Ontario Child Benefit to be given to all eligible Ontario Works recipients without reducing benefits or increasing public housing costs;
- ensure that government departments grant a one-year, renewable moratorium on: subsidized housing rent increases, Ontario Works reductions, and losses in childcare subsidies;
- ensure that subsidized housing and social assistance programs redefine adulthood to guarantee that children who continue to achieve satisfactory progress in post-secondary studies (until the age of 24) do not threaten their families' access to benefits or housing; and,
- upload costs related to Ontario Works and subsidized housing costs from the municipalities.

People who receive social assistance generally agree with the public at large that independence is preferable to having to rely on these benefits. However, the transition to a decent living through paid work can be difficult. This *Maytree Policy in Focus* explains how poorly coordinated government policies create hurdles on the path to self-reliance.

What is social assistance?

Social assistance—often called welfare—is financial support provided by the provinces and territories to persons who do not have sufficient income to provide a basic living for themselves or their families.¹ This includes working-age persons with disabilities, single parents, unemployed adults, and their families. In 2005 there were 1.7 million people who relied on social assistance—almost 500,000 were children.²

Who is eligible for social assistance and what benefits do recipients receive?

Eligibility criteria and benefits vary from province to province/territory, and based on family size.

In all jurisdictions, applicants for social assistance must show that they have little or no income and that they don't have savings or investments that can easily be converted to cash. For example, in 2005 the asset limit for a single employable adult was \$200 in Prince Edward Island and \$1500 in British Columbia.³ Applicants may also be required to provide a medical certificate or bank statements, and all must meet with a department representative by phone or in person.

In addition to basic social assistance, individuals or families may be eligible for refundable tax credits and child benefits. Some individuals or families may also qualify for subsidized housing and basic dental and vision care. The federal government recently introduced the Working Income Tax Benefit (WITB) which provides some working poor Canadians with a maximum annual benefit of \$500 for single individuals and \$1,000 for families. (The WITB in its current form does not help all low-income workers because eligibility disappears at an annual net income of just \$12,833 for single workers and \$21,167 for single parents and couples.⁴)

Even after these additional benefits are taken into account, individuals and families who rely on social assistance have incomes which fall well below Canada's unofficial poverty line.

How is the transition from social assistance to work supported?

Each province and territory has a number of measures intended to promote entry, or reentry, into the labour force. These include employment support services and programs as well as exemptions on earned income.

Once recipients earn enough money through employment to be disqualified from social assistance, their standard of living may actually be reduced because they must pay income tax, EI premiums and CPP contributions while covering work-related costs such as transportation and clothing. Also, public housing rents are increased to reflect their new earnings, and provincial/territorial child benefits and child care subsidies may be reduced (despite the fact that going to work often means that more child care is needed).

These workers typically experience a high “marginal effective tax rate.” This is a term that economists use to measure the amount of taxes paid and benefits lost on each additional dollar earned. High marginal tax rates are seen by economists as a disincentive to work, since low-wage workers effectively keep only a fraction of their additional earnings.

How is the transition to adulthood supported for children who grow up in families receiving social assistance?

In some provinces and territories, when children turn 18 they are no longer considered children so the family’s eligibility for social assistance and other benefits is reduced. This is the case in Ontario, for example. In order to ensure that their part-time earnings do not reduce their parents’ social assistance, young adults must move out of their family home. The family, of course, becomes one person smaller, which could mean that their public housing unit is deemed too large and the family may be forced to move. Once out of the home, students find it difficult to maintain their studies and often must turn to low-wage work. Putting uneducated 18-year olds into the work world and out of the family home puts them at increased risk for homelessness.

If young adults continue to live with their families, and pursue post-secondary education, certain scholarships, grants and loans may be considered income and could result in either ineligibility for, or a reduction in, benefits. It could also lead to a public housing rent increase.

¹ According to the Federal-Provincial-Territorial Directors of Income Support’s *Social Assistance Statistical Report: 2005* students are usually not permitted to receive social assistance while attending post-secondary education; they must instead seek a student loan. People over the age of 65 may receive social assistance if they have dependents, have some

age-related special needs or are ineligible for Old Age Security benefits.

² National Council of Welfare, “Number of People on Welfare,” *Welfare Incomes 2005 Fact Sheet #9* (Ottawa: National Council on Welfare, October 2006).

³ Federal-Provincial-Territorial Directors of Income Support. *Social Assistance Statistical Report:*

2005. (Ottawa: Human Resources and Social Development Canada, August 2006).

⁴ Stapleton, John. “Working poor get little relief from Flaherty,” *Toronto Star* March 23, 2007, A21.

WHY IS IT SO TOUGH TO GET AHEAD? [HOW OUR TANGLED SOCIAL PROGRAMS PATHOLOGIZE THE TRANSITION TO SELF-RELIANCE](#)

John Stapleton, November 2007

Prepared for the Metcalf Foundation, www.metcalffoundation.com

This 2007 report describes the aspirations and realities of low-income workers and social assistance recipients. Together their stories illustrate how a number of fragmented and poorly coordinated government policies make it difficult for recipients of Ontario Works—the province’s social assistance program—to become self-reliant.

For example, in Ontario a worker who receives social assistance benefits and finds a job will have:

- social assistance reduced by 50 cents on the dollar; and,
- public housing rents increased by 30 cents on the same dollar.

In addition, work-related expenses (such as transportation and clothing) must be paid for out of the remaining income, and childcare subsidy will be reduced once a recipient is earning \$20,000 a year. This means that for some people, working produces a lower standard of living than staying on social assistance—even though social assistance rates are very low.

Although the program is often stigmatized, welfare is only a small portion of the income security payments made to Canadians. In fact, in Ontario the costs of welfare only represent 5% of all income security payments made to residents of the province.

Using the lived reality of recipients as a starting point, the report then presents a new vision for income security benefits for working-age adults modeled on those benefits which exist for children and seniors. The report suggests:

- introducing a registered savings instrument for working adults to redeem within their working lifetime—governments could match these to assist working-age adults to save;
- revising EI or creating a meaningful federal account where contributions result in real benefits; and,
- creating benefits to support low-income workers (both the employed and unemployed).

To achieve this reform, the report describes the responsibilities of the Province of Ontario in the short- and long-term. Stapleton suggests that in the short term:

- the new Working Income Tax Benefit and the Ontario Child Benefit be given to all eligible Ontario Works recipients without reducing their benefits, and without increases in their public housing costs;
- government departments responsible for social programs grant a one-year, renewable moratorium on rent increases, Ontario Works reductions, and losses in childcare subsidies for recipients who have an approved plan to achieve self-sufficiency;
- public housing and Ontario Works programs redefine adulthood to ensure that children who continue to achieve satisfactory progress in post-secondary studies (until the age of 24) do not threaten their families' access to benefits or housing; and,
- the province begin to upload costs relating to Ontario Works and subsidized housing from the municipalities (Ontario is the only jurisdiction in Canada where income security costs are shared by municipalities).

In the long term, Stapleton suggests that the Government of Ontario:

- Create a "Government Responsibility Centre" that would further streamline programs and services for low-income adults and promote cross-ministry cooperation. The Centre would also ensure that governments and agencies work together to ensure that marginal effective tax rates do not exceed 50 percent of employment earnings.
- Work towards eliminating welfare programs for low-income adults who are working or attempting to rejoin the job market. The Government of Ontario could develop a supplement that would work in conjunction with the Working Income Tax Benefit.

We cannot claim to have people-centred government policies. Not when an 18 year old, lone parent refugee is considered to be an adult under four policies, a child under two, a student under a third policy, a dependent adult under two others, a non-resident under two, and a legal resident of Canada under four more. And as far as government is concerned, it is her job to sort all this out.

“If [a recipient of Ontario Works] is 18 and a refugee claimant, she is viewed largely as an adult under Family Law, an adult under the age of majority act, a child under OSAP (if she lives at home) and alcohol consumption laws, a dependent adult under Ontario Works and Legal Aid, but an adult under ODSP and public housing rules, a student under OSAP during the school year if attending full-time, a resident under school attendance laws as well as social assistance, OHIP, and housing regulations, but a non-resident from the point of view of Citizenship and Immigration Canada and HRSDC for purposes of the Canada Child Tax Benefit and the new Ontario Child Benefit.”

Stapleton, *Why is it so tough to get ahead?*, 11.

Confused? So are many low-income adults. It is up to them to figure out how they fit into this array of policies and programs. Government departments at all levels need to work together to streamline and redefine programs for working-age Canadians, with consistent and easily understood criteria.

To fight poverty, and support low-income workers (both employed and unemployed) the provinces and territories can start by ensuring that they provide adequate earning exemptions for individuals attempting to achieve self-sufficiency through paid employment while on welfare.

The federal and provincial/territorial governments should develop a new approach to income security which ensures that the Working Income Tax Benefit and welfare are part of a coordinated and comprehensive system of supports for unemployed and low-wage workers.

The threat of recession in the U.S. and its possible impact on Canada makes fixing adult benefits a priority for all levels of government.

In every province, a lone parent with a child lives well below the *Low Income Cut-off*, Canada's unofficial poverty line.

ESTIMATED 2005 ANNUAL WELFARE INCOME (includes federal and provincial benefits)			
	Lone Parent with One Child	Poverty Line	Amount Needed to Raise Family Out of Poverty
British Columbia	\$13,948	\$25,867	\$11,919
Alberta	\$12,326	\$25,867	\$13,541
Saskatchewan	\$13,235	\$22,276	\$9,041
Manitoba	\$13,282	\$25,867	\$12,585
Ontario	\$14,451	\$25,867	\$11,416
Quebec	\$15,395	\$25,867	\$10,472
New Brunswick	\$13,656	\$22,276	\$8,620
Nova Scotia	\$12,917	\$22,276	\$9,359
Prince Edward Island	\$13,707	\$22,139	\$8,432
Newfoundland and Labrador	\$16,181	\$22,276	\$6,095

(Source: National Council of Welfare, *Welfare Incomes 2005, Summer 2006*, 31-32.)

Selected Annotated Bibliography

Ken Battle, Michael Mendelson and Sherri Torjman. "Towards a New Architecture for Canada's Adult Benefits." Caledon Institute of Social Policy, June 2006. www.caledoninst.org

This 2006 report describes how income security benefits for adults, notably welfare and Employment Insurance, fail to meet the needs of working-age Canadians. The authors propose a new architecture for Canada's adult benefits which would provide: 1) temporary income support for unemployed adults—including an improved EI program and a new income-tested program for those who aren't EI eligible; 2) employment preparation for those individuals who are not able to find jobs on their own; 3) basic income for those Canadians who cannot be expected to earn adequate income through employment because of a severe or prolonged disability, or because they cannot reasonably be expected to find work; and, 4) access to child benefits, supplementary health, dental care, prescription drugs and disability supports for all low-income and unemployed Canadians.

Saunders, Ron and Richard Brisbois. "Workers in Low-Income Households in Alberta." CPRN, September 2007. www.cprn.ca

This report explores the incidences of low pay in Alberta, and describes how governments can create more opportunities for training and advancement. It also makes the case for income supplements for low-paid workers (provided they are accompanied by increases in the minimum wage), better access to social benefits for all workers, and better enforcement of employment standards.

The Colour of Poverty. www.colourofpoverty.ca

This community-based campaign has compiled a number of fact sheets which describe how visible minorities are more likely to be poor than other Canadians.

United Way of Greater Toronto. "Losing Ground: The Persistent Growth of Family Poverty in Canada's Largest City." November 2007. www.uwgt.org

This research finds that poverty continued to climb in the City of Toronto, at the same time as it stabilized or declined slightly in the rest of Toronto's Census Metropolitan Area, the province, and country as a whole. The report makes a number of recommendations—including considering the unique circumstances of the City of Toronto in the Province of Ontario's anti-poverty strategy.



About Maytree Policy in Focus

Maytree Policy in Focus, a publication of the Maytree Foundation, identifies and shares practical research to help inform policy- and decision-making. For more information, visit www.maytree.com/policyinfocus

About The Maytree Foundation

The Maytree Foundation is a private Canadian charitable foundation established in 1982, committed to reducing poverty and inequality in Canada and to building strong civic communities.